

## United States Postal Service

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be used in some manner to defraud the Postal Service of revenue. All serially numbered printing dies produced should be accounted for by assembly into meters or by evidence of mutilation or destruction. Postage printing dies removed from meters and not suitable for reassembly must also be mutilated so that the dies cannot be used or they must be completely destroyed.

### § 501.18 Secure destruction.

(a) Authorized meter manufacturers/distributors may destroy meters, when required, in accordance with methods approved in advance by the manager of Postage Technology Management. The postage meter must be rendered completely inoperable by the destruction process and associated postage-printing dies must be destroyed in accordance with § 501.17. Manufacturers/distributors must submit the proposed destruction method; a schedule listing the meters to be destroyed, by serial number and model; and the proposed time and place of destruction to the manager of Postage Technology Management for approval prior to any meter destruction. Manufacturers/distributors must record and retain the serial numbers of the meters to be destroyed, and provide the list in electronic form in accordance with Postal Service requirements for postage meter accounting and tracking systems. Manufacturers/distributors must give sufficient advance notice of the destruction to allow the manager of Postage Technology Management to schedule observation by Postage Technology Management or its designated representative. The Postal Service representative must ensure that the serial numbers of the meters destroyed are the same as the serial numbers recorded by the manufacturer/distributor on the list of destroyed meters, and that the destruction is performed in accordance with a Postal Service-approved method or process.

(b) These requirements for meter destruction apply to all postage meters, postage evidencing systems, and postal security devices included as a component of a postage evidencing system.

[66 FR 55097, Nov. 1, 2001]

### § 501.19 Destruction of meter stamps.

All meter stamps printed in the process of testing dies or meters must be collected and destroyed daily.

[60 FR 30726, June 9, 1995. Redesignated at 66 FR 55097, Nov. 1, 2001]

### § 501.20 Inspection of new and rebuilt meters.

All new and rebuilt meters must be inspected carefully before leaving the manufacturer's meter service station.

[60 FR 30726, June 9, 1995. Redesignated at 66 FR 55097, Nov. 1, 2001]

### § 501.21 Keys and setting equipment.

The meter manufacturer must furnish keys and other essential equipment for setting the meters to all post offices under whose jurisdiction its meters are licensed for use. These items must be protected and must not be furnished to persons not authorized by the Postal Service to possess them. The Postal Service shall maintain control over the procurement, manufacture, and distribution of meter security seals. Manufacturers must reimburse the Postal Service promptly for the cost of the seals. All costs associated with meter security seals are apportioned twice annually to the meter manufacturers by the installed base of each manufacturer.

[60 FR 30726, June 9, 1995. Redesignated at 66 FR 55097, Nov. 1, 2001]

### § 501.22 Distribution facilities.

Authorized manufacturers must keep adequate facilities for and records of the distribution, control, and maintenance of postage meters. All such facilities and records are subject to inspection by Postal Service representatives.

[60 FR 30726, June 9, 1995. Redesignated at 66 FR 55097, Nov. 1, 2001]

### § 501.23 Distribution controls.

Each authorized postage meter manufacturer must do the following:

(a) Hold title permanently to all meters of its manufacture except those purchased by the Postal Service.

(b) On behalf of applicants, transmit electronically copies of completed PS

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Forms 3601-A, Application for a License to Lease and Use Postage Meters, to the designated Postal Service central processing facility.

(c) Lease meters only to parties that have valid licenses issued by the Postal Service.

(d) Supply only those meter slogan or ad plates that meet the Postal Service requirements for suitable quality and content.

(e) (1) Have all meters set, sealed (if applicable), and checked into service by the appropriate Postal Service representative before delivering them to licensees. Meters must be checked into service at the licensing post office, unless the meter is serviced under the on-site meter-setting program.

(2) The meter manufacturer must present the meter and a completed PS Form 3601-C, Postage Meter Installation, Withdrawal, or Replacement, to the appropriate Postal Service representative when checking a meter into service.

(3) A meter should show a zero in the descending register before being checked into service. If a zero is not shown, the initial payment must include the residual amount the locked-out meter could not imprint.

(f) Notify Computerized Remote Postage Meter Resetting System licensees of the dates on which meter examinations are due, and notify the licensing post offices of CMRS meters that have not been reset during the previous 3 months and/or are due for an annual examination. Resetting transactions must not be completed by the manufacturer if the meters are not taken to the post office for examination by the due date. Licensees who do not bring in their meters after the initial manufacturer notification must be approached again within 15 days, preferably by personal contact. If a response is not received within another 15 days, the Postal Service shall notify the licensee that the meter is to be removed from service and the meter license revoked, following the procedures for revocation specified by regulation. The Postal Service shall notify the manufacturer to remove the meter from the licensee's location and present it to the licensing post office to

be checked out of service within 15 days.

(g) Present meters to the licensing post office to be checked out of service if the licensee no longer wants the meter or if the meter is to be removed from service for any other reason. Take the meter to the licensing post office for withdrawal, with a completed PS Form 3601-C, Postage Meter Installation, Withdrawal, or Replacement, and copy of the applicable PS Form 3602-A, Record of Meter Register Readings, or equivalent.

(h) Retrieve any misregistering, faulty, or defective meter and present it to the licensing post office to have the meter checked out of service within 3 business days of being notified by the licensee of the defect. After examining a meter withdrawn for apparent faulty operation affecting registration, the manufacturer must furnish a report explaining the malfunction to the licensing post office. That report must include all applicable meter documentation and a recommendation for the appropriate postage adjustment, if applicable, as follows:

(1) *Mechanical meters.* The manufacturer's postage adjustment recommendation for a misregistering mechanical meter must be accompanied by a refund request; a copy of the licensee's PS Form 3610, Record of Postage Meter Settings, and PS Form 3602-A, Record of Meter Register Readings, or equivalent, and the manufacturer's analysis of the licensee's recent mailing history supporting the recommended postage adjustment.

(2) *Electronic meters.* The manufacturer's postage adjustment recommendation for a misregistering electronic meter must be accompanied by a manufacturer-generated summary report of the appropriate redundant electronic register memory readouts for the meter, clearly indicating the register readings; a letter of instruction explaining the summary report; a copy of the licensee's PS Form 3610, PS Form 3602-A, if maintained, and applicable system-generated register documentation (if maintained in lieu of PS Form 3602-A); and an explanation of the meter malfunction that resulted in inaccurate registration, if determined. If a summary report of the appropriate

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redundant electronic register memory readouts cannot be retrieved, the manufacturer's recommendation must be accompanied by a refund request; a copy of the licensee's PS Form 3610, PS Form 3602-A, and applicable system-generated register documentation (if the PS Form 3602-A is not maintained); and the manufacturer's analysis of the licensee's recent mailing history supporting the recommended postage adjustment.

(i) Report promptly the loss or theft of any meter or the recovery of any lost or stolen meter. The manufacturer must provide notification by the Postal Service with completing a standardized lost and stolen meter incident report notifying within 30 calendar days of the manufacturer's determination of a meter loss, theft, or recovery. The manufacturer must complete all preliminary location activities specified in § 501.26 before submitting this report to the Postal Service.

(j) Provide the designated Postal Service Information Systems Service Center (ISSC) with a compatible computer magnetic tape, computer diskette, or electronic transmission, listing all licensee meters in service, at the close of business each postal quarter. Include in each file record the meter serial number, model number, the user's name and address, the date that the meter was placed in service, and the ZIP Code or finance number of the licensing post office. Manufacturers are responsible for reconciling differences and keeping accurate records. This reporting includes reconciliation of differences with licensing post offices by the manufacturer's branches or dealers, which results from meters that are not in Postal Service or manufacturer records.

(k) Keep at manufacturer's headquarters a complete record by serial number of all meters manufactured, showing all movements of each from the time that the meter is produced until it is scrapped, and the reading of the ascending register each time the meter is checked into or out of service through a post office. These records must be available for inspection by Postal Service officials at any time during business hours. These records

must be destroyed 3 years after the meter is scrapped.

(l) Cancel a lease agreement with any lessee whose meter license is revoked by the Postal Service, remove the meter within 15 calendar days, and have the meter checked out of service.

(m) Promptly remove from service any meter that the Postal Service indicates should be removed from service. When a meter license is canceled, all meters in use by the licensee must be removed from service.

(n) Keep a permanent record by serial number of all meter keys issued to postmasters, as well as those sections of the manufacturer's establishment in which their use of the keys is essential, preferably in the form of signed receipt cards. The record must include the date, location, and details of any loss, theft, or recovery of such keys.

(o) Examine each meter withdrawn from service for failure to record its operations correctly and accurately, and report to the Postal Service the mechanical condition or fault that caused the failure.

(p) Provide monthly the designated ISSC with a compatible computer tape of lost or stolen meters. The file is due on the first of each month (for the preceding month's activity).

(q) Take reasonable precautions in the transportation and storage of meters to prevent use by unauthorized individuals. Manufacturers must ship all meters by Postal Service registered mail unless given written permission by the Postal Service to use another carrier. The manufacturer must demonstrate that the alternative delivery carrier employs security procedures equivalent to those for registered mail.

(r) Affix to all meters both a cautionary label providing the meter user with basic reminders on leasing, meter movement, and misuse and a barcoded label containing a barcoded representation of the meter serial number.

(1) The cautionary label must be placed on all meters in a conspicuous and highly visible location. Words printed in capital letters should be emphasized, preferably printed in red. The minimum width of the label should be 3.25 inches, and the minimum height should be 1.75 inches. The label should read as follows:

RENTED POSTAGE MEMBER—NOT FOR SALE

PROPERTY OF [NAME OF MANUFACTURER]

Use of this meter is permissible only under U.S. Postal Service license. Call [Name of Manufacturer] at (800) ###-#### to relocate/return this meter.

WARNING! METER TAMPERING IS A FEDERAL OFFENSE.

IF YOU SUSPECT METER TAMPERING,

CALL POSTAL INSPECTORS AT 1-800-654-8896 OR (202) 484-5480.

REWARD UP TO \$50,000 for information leading to the conviction of any person who misuses postage meters resulting in the Postal Service not receiving correct postage payments.

(2) The barcode label must be placed near the stamped serial number and must meet these specifications: Code 3 of 9, ten digits long, with the first two digits being the manufacturer code (01—Ascom Hasler, 02—Pitney Bowes, 03—Francotyp-Postalia, 04—Friden Neopost) and the next eight digits being the meter serial number, zero-filled, right-justified. Additional barcode digits may be used for manufacturer purposes if the Postal Service is notified of the information to be encoded thereby.

(3) Exceptions to the formatting of required labeling are determined on a case-by-case basis. Any deviation from standardized meter labeling requirements must be approved in writing by the Postal Service.

(s) A demonstration meter is typically used to acquaint a potential user with the features of a meter as part of the sales effort. The following procedures must be followed to implement controls over demonstration meters:

(1) A demonstration meter may print only specimen indicia and must not be used to meter live mail.

(2) A demonstration meter must be recorded as such on internal manufacturer inventory records and must be tracked by model number, serial number, and physical location. If the meter's status as a demonstration meter changes, the meter must be adminis-

tered according to the procedures that apply to its new status.

(3) A demonstration meter may be used only for demonstrations by a manufacturer's dealer or branch representative and must remain under the dealer's or representative's direct control. A demonstration meter may not be left in the possession of the potential customer under any circumstance.

(t) A postage meter loaned to a customer for temporary use (a "loaner meter") is typically used to acquaint a potential user with the features of a meter as part of the sales effort, or serves as a temporary placement while the customer awaits delivery of a new meter. The following procedures must be followed to implement controls over loaner meters:

(1) A loaner meter prints valid indicia and may be used to apply postage to a mailpiece. Only electronic, remote-set meters may be used as loaner meters. The city/state designation in the loaner meter indicia must show the location where the user's mail will be deposited.

(2) A customer may have possession of a loaner meter for a maximum of five consecutive business days. When the customer chooses to continue the use of a postage meter, the loaner meter must be retrieved and a new meter must be installed under the customer's license.

(3) The manufacturer's dealer or branch representative ("representative") must have a USPS-issued meter user license to place a loaner meter. A single license per USPS district can be used to issue loaner meters to customers in any of the different Post Office service areas within that district.

(4) Loaner meters must be reported electronically to the USPS meter tracking system when activated. A Form 3601-C, Postage Meter Activity Report, must be initiated to activate a loaner meter under the representative's meter license. The licensee and meter location information on the form will show the representative rather than the temporary user. However, loaner meters may only be placed with customers who have been issued a USPS meter license.

(5) Representatives must record and verify the accuracy of the ascending

and descending register readings when a loaner meter is placed with the customer. Any discrepancies detected during the verification process must be reported immediately to the meter manufacturer, who will then notify Postage Technology Management.

(6) The representative is responsible for resetting the loaner meter with postage and must arrange for reimbursement directly with the customer.

(7) The representative maintains full responsibility for the loaner meter. As both a manufacturer's representative and a meter licensee, the representative is subject to the provision of Domestic Mail Manual part P030 and Code of Federal Regulations part 501. As a licensee, the representative assumes all licensee responsibilities under USPS meter regulations and must ensure that loaner meters are available for examination by the Postal Service on demand and are examined in accordance with Postal Service policy. Any losses incurred by the Postal Service as a result of fraudulent use of the loaner meter by the customer are the responsibility of the meter licensee, the customer, and the manufacturer.

(8) When the customer returns the meter, the dealer or branch representative must record and verify the accuracy of the ascending and descending register readings and inspect the meter. Any discrepancies or indication of tampering or fraudulent use must be reported immediately to the meter manufacturer, who will then notify Postage Technology Management. In such circumstance, the meter must not be used and must be returned to the manufacturer's QAR department via Registered Mail.

(9) Loaner meters must be reported electronically to the USPS meter tracking system when withdrawn from service. The dealer or branch representative must prepare Form 3601-C, Postage Meter Activity Report, for each loaner meter withdrawn.

[60 FR 30726, June 9, 1995, as amended at 66 FR 20745, Apr. 25, 2001. Redesignated at 66 FR 55097, Nov. 1, 2001]

**§ 501.24 Administrative sanction.**

(a) *Meter* for purposes of this section means any postage meter manufactured by an authorized postage meter

manufacturer under § 501.1 that is not owned or leased by the Postal Service.

(b) An authorized manufacturer that, without just cause, fails to conduct or perform adequately any of the controls in § 501.22, to follow standardized lost and stolen meter incident reporting in § 501.26, or to conduct any of the inspections required by § 501.25 in a timely fashion is subject to an administrative sanction based on the investigative and administrative costs and documented revenue losses (net of any amount collected by the Postal Service from the licensee or meter user) with interest per occurrence measured from the date on which the cost and/or loss occurred, as determined by the Postal Service. Sanctions shall be based on the costs and revenue losses that result from the manufacturer's failure to comply with these requirements.

(c) The Postal Service may impose an administrative sanction under this section by issuing a written notice to the manufacturer setting forth the facts and reasons on which the determination to impose the sanction is based. The Postal Service shall determine all costs and losses. The notice shall advise the manufacturer of the date that the action shall take effect if a written defense is not presented within 30 calendar days of receipt of the notice.

(d) The manufacturer may present to the Postal Service a written defense to the proposed action within 30 calendar days of receipt of the notice. The defense must include all supporting evidence and state with specificity the reasons for which the sanction should not be imposed.

(e) After receipt and consideration of the written defense, the Postal Service shall advise the manufacturer of the decision and the facts and reasons for it. The decision shall be effective on receipt unless it provides otherwise.

(f) The manufacturer may submit a written appeal of the decision within 30 calendar days of receiving the decision, addressed to the manager of Retail and Customer Service, Postal Service Headquarters. The appeal must include all supporting evidence and state with specificity the reasons that the manufacturer believes that the administrative sanction was erroneously imposed.